

Message Text

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15

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

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R 100907Z JAN 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 64

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL ZURICH

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E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS FOREIGN EXCHANGE MARKET

REF: BERN 0084 AND BERN 4758, DECEMBER 19, 1974

1. SWISS FINANCE MINISTER CHEVALLAZ TOLD DCM JANUARY 9 THAT TWO-TIER EXCHANGE MARKET WOULD BE "IMPOSSIBLE" FOR SWITZERLAND. SUCH A STEP HAS BEEN WIDELY DISCUSSED IN PRESS AND ADVOCATED BY SOME IN INDUSTRY AND COMMERCIAL BANKING IN ORDER IMPROVE COMPETITIVE POSITION OF SWISS EXPORTS AND TOURISM WHILE CONTINUING PERMIT RELATIVELY FREE CAPITAL FLOWS. CHEVALLAZ ACKNOWLEDGED THAT MATTER HAD BEEN STUDIED CAREFULLY, AND EXPERIENCE ELSEWHERE REVIEWED, BUT HE HAD CONCLUDED THAT SWISS AUTHORITIES COULD NOT PROPERLY ADMINISTER DUAL MARKET OR AVOID ABUSES AND EVASION.

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CHEVALLAZ SAID HE WOULD MUCH PREFER CONTINUE RESORT TO

CAPITAL RESTRICTIONS AND WAS PREPARED SEE INTRODUCTION
FURTHER SUCH MEASURES IF NECESSARY.

2. SWISS NATIONAL BANK (SNB) PRESIDENT LEUTWILER WAS
QUOTED IN PRESS JANUARY 9 AS SAYING DUAL MARKET COULD BE
CONSIDERED ONLY AS LAST RESORT.

3. DAINLY SNB INTERVENTION THIS WEEK PLUS SUCH NEW MEASURES
AS LIMITS ON FORWARD SWISS FRANC CONTRACTS WITH
NON-RESIDENT CUSTOMERS AND RESTRICTIONS ON ACCESS BY NON-
SWISS PUBLIC ENTITIES TO CAPITAL MARKET ALSO INDICATE
CURRENT SNB/GOS STRATEGY.

4. FEDERAL CONCIL AND SNB JANUARY 8 ANNOUNCED VARIOUS
MEASURES TOWARD LOOSENING OF MONETARY POLICY PARTICULARLY
TO BENEFIT OF CONSTRUCTION INDUSTRY. LEUTWILER SAID POLICY
ASSUMED FOR 1975 ONE PERCENT DECLINE IN REAL GNP AND 6.5
PERCENT INFLATION RATE WAS DESIGNED STEER MIDDLE COURSE
BETWEEN RECESSION AND INFLATION.

5. COMMENT. ANNOUNCEMENT OF SHIFT TOWARD SOMEWHAT REFLATION-
ARY MONETARY POLICY MAY ALSO HELP OFFSET WHAT WILL UNDOUBTEDLY
BE DEFLATIONARY BIAS (I.E. CUT IN EXPENDITURES, POSSIBLE TAX
INCREASES) IN REVISED 1975 BUDGET WHICH FEDERAL
COUNCIL HAS APPROVED AND WILL ANNOUNCE JANUARY 10.
DAVIS

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Margaret P. Grafeld
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